DS-252

CHECKLIST ENVIRONMENTAL ASSESSMENT

Project Name: MCR, LLC State #15-16	**Proposed Implementation Date:** August 2006
Proponent: MCR, LLC P.O. Box 716 Shelby, MT 59474	
Type and Purpose of Action: To drill a hydrocarbon test below the Kootenai Formation. Primary targets will be the Sunburst Swift Complex.	
Location: T37N, R4E, Sec 16 (SWSE) Common School Grant	**County:** Liberty

I. PROJECT DEVELOPMENT	
1. PUBLIC INVOLVEMENT, AGENCIES, GROUPS OR INDIVIDUALS CONTACTED: Provide a brief chronology of the scoping and ongoing involvement for this project.	DNRC, MMB, Mineral Owner W.H. Schafer, Surface Lessee MCR, LLC. Mineral Lessee, Proponent
2. OTHER GOVERNMENTAL AGENCIES WITH JURISDICTION, LIST OF PERMITS NEEDED:	None
3. ALTERNATIVES CONSIDERED:	Deny the request

II. IMPACTS ON THE PHYSICAL ENVIRONMENT	
RESOURCE	**[Y/N] POTENTIAL IMPACTS** N = Not Present or No Impact will occur. Y = Impacts may occur (explain below)
4. GEOLOGY AND SOIL QUALITY, STABILITY AND MOISTURE: Are fragile, compactable or unstable soils present? Are there unusual geologic features? Are there special reclamation considerations? Are cumulative impacts likely to occur as a result of this proposed action?	[Y] This project is located within northern glaciated plains. The topography is classic prairie pothole. Slopes are generally less than 1 %. The soil type is dominated by deep silty loam textures and has good production capability. The current land status is native sod. Cumulative impacts will be minimal as all infrastructure is in place due to existing production on this tract and adjacent lands. The drill site is within a couple hundred feet of an existing well. A gathering system exists at this location. It should be noted that this proposal lies within the Whitlash Oil & Gas Field.

II. IMPACTS ON THE PHYSICAL ENVIRONMENT	
5. WATER QUALITY, QUANTITY AND DISTRIBUTION: Are important surface or groundwater resources present? Is there potential for violation of ambient water quality standards, drinking water maximum contaminant levels, or degradation of water quality? Are cumulative impacts likely to occur as a result of this proposed action?	[N] Ground water will probably be encountered during the drilling phase of the proposal. All sub-surface water will be controlled in accordance with MBOG regulations.
6. AIR QUALITY: Will pollutants or particulate be produced? Is the project influenced by air quality regulations or zones (Class I air shed)? Are cumulative impacts likely to occur as a result of this proposed action?	[N] There will be no impact to the air shed as a result of this proposal.
7. VEGETATION COVER, QUANTITY AND QUALITY: Will vegetative communities be permanently altered? Are any rare plants or cover types present? Are cumulative impacts likely to occur as a result of this proposed action?	[Y] A 200 by 200-foot area will be excavated for the drilling location. If the drilling encounters gas, a flow line will be constructed to tie the well into an existing gathering system. The current vegetative community is native sod. Reclamation will be required. Backfilling and recountouring the pits and pad will be required first. Then reseeding all disturbances will be implemented. Seeding recommendation will be 40% Western Wheatgrass, 40% Idaho Fescue, 10% Rough Fescue, 10% Canby Bluegrass. The seeding rate will be 10 #/acre.
8. TERRESTRIAL, AVIAN AND AQUATIC LIFE AND HABITATS: Is there substantial use of the area by important wildlife, birds or fish? Are cumulative impacts likely to occur as a result of this proposed action?	[N] There will not be any adverse impact to fish, wildlife, or birds resulting from this proposal. The proposal lies within the active and productive Whitlash Oil & Gas field.
9. UNIQUE, ENDANGERED, FRAGILE OR LIMITED ENVIRONMENTAL RESOURCES: Are any federally listed threatened or endangered species or identified habitat present? Any wetlands? Sensitive Species or Species of special concern? Are cumulative impacts likely to occur as a result of this proposed action?	[N] There are no endangered or threatened species or habitat present on this site.
10. HISTORICAL AND ARCHAEOLOGICAL SITES: Are any historical, archaeological or paleontological resources present?	[N] During the field inspection there were no cultural sites located. The lease files also were inspected and no previous sites were located within the proposed area.
11. AESTHETICS: Is the project on a prominent topographic feature? Will it be visible from populated or scenic areas? Will there be excessive noise or light? Are cumulative impacts likely to occur as a result of this proposed action?	[N] The project area lies approximately 2.5 miles north of East Butte within the Sweet grass Hills.
12. DEMANDS ON ENVIRONMENTAL RESOURCES OF LAND, WATER, and AIR OR ENERGY: Will the project use resources that are limited in the area? Are there other activities nearby that will affect the project? Are cumulative impacts likely to occur as a result of this proposed action?	[N] There are basically only two major industries within this proposed area. They are agricultural and the petroleum industry. Both appear to work quite well together. This proposal is adjacent to several major gas fields.
13. OTHER ENVIRONMENTAL DOCUMENTS PERTINENT TO THE AREA: Are there other studies, plans or projects on this tract? Are cumulative impacts likely to occur as a result of other private, state or federal current actions w/n the analysis area, or from future proposed state actions that are under MEPA review (scoping) or permitting review by any state agency w/n the analysis area?	[Y] This location is 2.5 miles north of the East Butte Study Area for MT-NHP.

III. IMPACTS ON THE HUMAN POPULATION	
RESOURCE	**[Y/N] POTENTIAL IMPACTS AND MITIGATION MEASURES**
14. HUMAN HEALTH AND SAFETY: Will this project add to health and safety risks in the area?	[N] This project will not add to the health and safety of the

	area.
15. INDUSTRIAL, COMMERCIAL AND AGRICULTURAL ACTIVITIES AND PRODUCTION: Will the project add to or alter these activities?	[Y] The results of this project can contribute to the addition of increased natural gas production. This particular area is dependent upon both the petroleum and agricultural industries.
16. QUANTITY AND DISTRIBUTION OF EMPLOYMENT: Will the project create, move or eliminate jobs? If so, estimated number. Are cumulative impacts likely to occur as a result of this proposed action?	[Y] This project will create several temporary contracting jobs during the permitting and drilling process.
17. LOCAL AND STATE TAX BASE AND TAX REVENUES: Will the project create or eliminate tax revenue? Are cumulative impacts likely to occur as a result of this proposed action?	[Y] This project will create tax revenue if commercial gas is encountered from the sale of natural gas.
18. DEMAND FOR GOVERNMENT SERVICES: Will substantial traffic be added to existing roads? Will other services (fire protection, police, schools, etc) be needed? Are cumulative impacts likely to occur as a result of this proposed action?	[Y] There will be a temporary influx of traffic during the drilling phase of the project. This traffic will deflate after the drilling has been completed.
19. LOCALLY ADOPTED ENVIRONMENTAL PLANS AND GOALS: Are there State, County, City, USFS, BLM, Tribal, etc. zoning or management plans in effect?	[N] None
20. ACCESS TO AND QUALITY OF RECREATIONAL AND WILDERNESS ACTIVITIES: Are wilderness or recreational areas nearby or accessed through this tract? Is there recreational potential within the tract? Are cumulative impacts likely to occur as a result of this proposed action?	[N] There are no wilderness or recreational sites accessed through this tract.
21. DENSITY AND DISTRIBUTION OF POPULATION AND HOUSING: Will the project add to the population and require additional housing? Are cumulative impacts likely to occur as a result of this proposed action?	[N] None
22. SOCIAL STRUCTURES AND MORES: Is some disruption of native or traditional lifestyles or communities possible?	[N] None
23. CULTURAL UNIQUENESS AND DIVERSITY: Will the action cause a shift in some unique quality of the area?	[N] None
24. OTHER APPROPRIATE SOCIAL AND ECONOMIC CIRCUMSTANCES: Is there a potential for other future uses for easement area other than for current management? Is future use hypothetical? What is the estimated return to the trust. Are cumulative impacts likely to occur as a result of this proposed action?	[Y] This project can benefit the State of Montana in terms of gas royalties produced. Revenue will also be generated from permitting fees and lease bonuses. Estimated returns are not applicable until after drilling.

EA Checklist Prepared By: /S/ Steve Dobson (Name) LUS Conrad Unit (Title) Date: July 6, 2006

IV. FINDING	
25. ALTERNATIVE SELECTED:	Grant MCR, LLC authorization to drill the State #15-16 well.
26. SIGN4IFICANCE OF POTENTIAL IMPACTS:	The proposed well is located on native rangeland. Small-scale impacts to the native rangeland around the location are expected. No archaeological sites were observed within the project area. Surface damages have been settled with the DNRC for $1000.00. Actual surface damages have been settled with our surface lessee for $200.00. Following drilling, all disturbed area will be recontoured and reseeded to native grass. If this well is economical to produce, the common school trust will receive royalty payments.
27. Need for Further Environmental Analysis: [ ] EIS [ ] More Detailed EA **[X] No Further Analysis**	

EA Checklist Approved By: Erik Eneboe (Name) Conrad Unit Manager - CLO (Title)

/S/ ERIK ENBOE (Signature) July 17, 2006 (Date)